



JOINT BUDGET COMMITTEE STAFF FY 2018-19 BUDGET BRIEFING SUMMARY

Colorado General Assembly
Joint Budget Committee

Office of the Governor

The Office of the Governor includes the functions associated with the Governorship (oversight of executive branch agencies, policy development, communications, and citizen support services), as well as the Office of the Lieutenant Governor, Office of State Planning and Budgeting, Office of Economic Development and International Trade, Office of Information Technology, and Colorado Energy Office. The Office's FY 2017-18 appropriation represents 1.2 percent of statewide operating appropriations and 0.3 percent of statewide General Fund appropriations.

FY 2017-18 APPROPRIATION AND FY 2018-19 REQUEST

GOVERNOR - LIEUTENANT GOVERNOR - STATE PLANNING AND BUDGETING						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2017-18 APPROPRIATION:						
SB 17-254 (Long Bill)	\$327,294,670	\$30,301,603	\$44,200,500	\$246,336,847	\$6,455,720	1,087.9
Other legislation	8,364,108	5,023,062	3,200,000	141,046	0	3.3
TOTAL	\$335,658,778	\$35,324,665	\$47,400,500	\$246,477,893	\$6,455,720	1,091.2
FY 2018-19 APPROPRIATION:						
FY 2017-18 Appropriation	\$335,658,778	35,324,665	\$47,400,500	\$246,477,893	\$6,455,720	1,091.2
OFFICE OF THE GOVERNOR						
R1 (GOV) Administration line item adjustment	562,240	562,240	0	0	0	0.0
R2 (GOV) Colorado Commission of Indian Affairs increase	90,000	90,000	0	0	0	1.0
R3 (GOV) Serve Colorado	100,000	100,000	0	0	0	0.0
R4 (GOV) Office of State Planning and Budgeting reduction	(64,325)	0	(64,325)	0	0	0.0
COLORADO ENERGY OFFICE						
R1 (CEO) Funding for the Energy Office	3,100,000	3,100,000	0	0	0	16.5
OFFICE OF ECONOMIC DEVELOPMENT AND INTERNATIONAL TRADE						
R1 (OEDIT) Film incentive rebate program	1,250,000	1,250,000	0	0	0	0.0
R2 (OEDIT) Extend Advanced Industry Export Acceleration Program	175,000	0	175,000	0	0	0.0
OFFICE OF INFORMATION TECHNOLOGY						
R1 (OIT) Broadband and FirstNet staffing continuation	224,992	224,992	0	0	0	0.0
R2 (OIT) CBMS/PEAK base adjustment request	4,990,762	0	0	4,990,762	0	0.0
R3 (OIT) Operating System and Microsoft Office productivity suite service offering	5,228,160	0	0	5,228,160	0	0.0

GOVERNOR - LIEUTENANT GOVERNOR - STATE PLANNING AND BUDGETING						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
R4 (OIT) Voice and data services spending authority	4,098,059	0	0	4,098,059	0	0.0
R5 (OIT) Department of Health Care Policy and Financing security	194,302	0	0	194,302	0	0.0
R6 (OIT) Human Resources Information System (HRIS) timekeeping solution savings	(1,649,287)	0	0	(1,649,287)	0	0.0
OTHER CHANGES						
Indirect cost assessment	822,648	0	285,793	412,925	123,930	0.0
Non-prioritized request items	287,533	69,688	0	217,845	0	1.0
Centrally appropriated line items	(5,057,677)	416,716	20,338	(5,682,356)	187,625	0.0
Annualize prior year budget actions	(2,453,465)	(26)	(470,875)	(1,982,564)	0	0.0
Annualize prior year legislation	(340,555)	0	0	(340,555)	0	0.0
TOTAL	\$347,217,165	\$41,138,275	\$47,346,431	\$251,965,184	\$6,767,275	1,109.7
INCREASE/(DECREASE)	\$11,558,387	\$5,813,610	(\$54,069)	\$5,487,291	\$311,555	18.5
Percentage Change	3.4%	16.5%	(0.1%)	2.2%	4.8%	1.7%

OFFICE OF THE GOVERNOR

R1 (GOV) ADMINISTRATION LINE ITEM ADJUSTMENT: The request includes an increase of \$562,240 General Fund to meet payroll and operating expenses in the Governor's Office. In prior fiscal years, these costs were covered by federal funds from the Jobs and Growth Tax Relief Reconciliation Act of 2003. This source of funds will be exhausted during FY 2018-19. This request is a one-to-one refinance and does not increase the total amount of funds available to the Governor's Office.

R2 (GOV) COLORADO COMMISSION OF INDIAN AFFAIRS INCREASE: The request seeks an increase of \$90,000 General Fund and 1.0 FTE to add a Program Assistant position to support the Commission's Executive Director and to provide additional funding for existing services and programs that the Commission delivers to fulfill its statutory obligations, as set forth in Section 24-44-103, C.R.S.

R3 (GOV) SERVE COLORADO: The request includes an increase of \$100,000 General Fund to assist the Office of the Lieutenant Governor in meeting matching fund requirements for Serve Colorado. These matching funds are needed to apply for and receive a variety of grants aimed at fostering a culture of civic engagement across the state in partnership with an array of community based organizations.

R4 (GOV) OFFICE OF STATE PLANNING AND BUDGETING REDUCTION: The request seeks a one-time reduction of \$64,325 cash funds from the Marijuana Tax Cash Fund in the line item in the Office that is to be used for grants to agencies to embark on projects to evaluate and/or assist in the implementation of programs funded from the Marijuana Tax Cash Fund. This represents a decrease of two percent in the Office's total budget.

COLORADO ENERGY OFFICE

R1 (CEO) FUNDING FOR THE ENERGY OFFICE: The request includes an increase of \$3.1 million General Fund and 16.5 FTE to provide the Colorado Energy Office with a base budget to fulfill its statutory obligations.

R1 (OEDIT) FILM INCENTIVE REBATE PROGRAM: The request seeks an increase of \$1.3 million General Fund to continue the Colorado Office of Film, Television, and Media's 20.0 percent rebate for production related expenses incurred in Colorado. The FY 2017-18 budget for this purpose includes \$750,000 General Fund. This request raises this amount to \$2.0 million General Fund for FY 2018-19.

Note, the film incentive program was recently audited by the Office of the State Auditor (OSA). The report released by the Office in May 2017 indicated that the Film Office:

- Paid about \$1.9 million in incentives for the nine projects OSA sampled even though none of them met all requirements. This included \$129,000 for projects that did not qualify for incentives and another \$1.8 million for projects for which the Film Office lacked documentation to substantiate they qualified. The Film Office also paid incentives totaling \$102,900 using the lower in-state spending threshold for two projects that do not appear to qualify under the in-state requirements.
- Paid about \$1.9 million in incentives for productions without having contracts in place before the projects began. The majority of this amount (\$1.3 million) was for projects for which no contract or purchase order was ever executed. Statute prohibits state agencies from disbursing funds unless the disbursement is supported by an approved purchase order or a contract.
- Staff decide whether to approve an incentive based on undocumented conversations with interested companies and do not use uniform criteria to evaluate the extent to which a project supports the Office's strategic goals.
- Lacks complete and accurate information to assess and report on the effectiveness of its operations. Specifically, the Film Office does not collect data on full-time equivalent jobs created through the incentive program or the amount of income tax revenue the state collects due to these jobs.

In September 2017, the Legislative Audit Committee voted 8-0 to request draft legislation in relation to these audit findings. The components of the legislation discussed in September include:

- Designating the Film Office, rather than production companies, as responsible for hiring certified public accountants to verify production company data.
- Refining the definition of "in-state" production company certification requirements.
- Creating a clawback provision in order to be able to recoup incentives paid to unqualified production companies.

R2 (OEDIT) EXTEND ADVANCED INDUSTRY EXPORT ACCELERATION PROGRAM: The request asks the Joint Budget Committee to placeholder \$175,000 General Fund to support non-JBC legislation that may be introduced in the 2018 legislative session to reauthorize the Advanced Industry Export Acceleration Program through January 1, 2024. The Program, which is slated for repeal on January 1, 2019 and is currently funded with an annual transfer of \$300,000 General Fund into the Advanced Industries Export Acceleration Fund, provides financial assistance to Colorado companies to offset international export development expenses, provides export training for advanced industry businesses to learn about the fundamentals of exporting, and develops a global network of trade consultants in key international markets to assist the Office in accelerating advanced industries exports.

OFFICE OF INFORMATION TECHNOLOGY

R1 (OIT) BROADBAND AND FIRSTNET STAFFING CONTINUATION: The request seeks an increase of \$224,992 General Fund to retain an existing 2.0 FTE in the State Broadband Office. These employees are currently funded by the federal National Telecommunications and Information Administration (NTIA) and are tasked with supporting the Office's endeavors related to increasing broadband availability across Colorado, as well supporting the state's implementation of the FirstNet initiative to create a dedicated public safety broadband network. NTIA funding for these two positions expires on February 28, 2018.

R2 (OIT) CBMS/PEAK BASE ADJUSTMENT REQUEST: The request includes an increase of \$5.0 million reappropriated funds transferred from the Departments of Health Care Policy and Financing and Human Services to the Office to meet increasing costs associated with the operation of the Colorado Benefits Management System (CBMS). The requested money, which includes \$1.5 million General Fund, is sought for producing and mailing client correspondence, meeting federal security requirements, and covering the software license, maintenance, and support costs associated with existing capacity and performance issues.

R3 (OIT) OPERATING SYSTEM AND MICROSOFT OFFICE PRODUCTIVITY SUITE SERVICE OFFERING: The request seeks an increase of \$5.2 million reappropriated funds transferred from state agencies to the Office to transition from a non-consolidated licensing approach for operating system and Microsoft Office applications to a centralized approach managed by the Office for all state agencies. It is important to highlight that a portion of the \$5.2 million total for this request is offset by requested reductions across nearly all agencies from operating line items that currently provide funds for operating system and Microsoft Office licenses.

R4 (OIT) VOICE AND DATA SERVICES SPENDING AUTHORITY: This technical request includes an increase of \$4.1 million reappropriated funds spending authority to align the Long Bill with the Office's expenditures for these services. This proposal does not include companion requests for increases in agency appropriations for voice and data services, as existing appropriations in agency operating budgets are driving the Office's need for increased spending authority. State agencies are transitioning away from legacy phone systems and onto OIT's managed internet protocol communications platform, which necessitates additional spending authority for OIT to provide these services back to agencies.

R5 (OIT) R5 (OIT) DEPARTMENT OF HEALTH CARE POLICY AND FINANCING SECURITY: The request seeks an increase of \$194,302 reappropriated funds transferred from the Department of Health Care Policy and Financing to the Office to migrate the Department to the state's enterprise firewalls, to contract for security architecture support to advise in positioning security countermeasures and relating these measures to the overall systems architecture, and to implement two-factor authentication for the Department's email system (including encryption) and the network layer. Of the total amount requested to be transferred from the Department to the Office, the General Fund amount is \$63,663. Note, OIT's security team is covering day-to-day security needs, while large systems, especially those containing regulated data, such as personal health information, often require a dedicated security program manager related to security.

R6 (OIT) HUMAN RESOURCES INFORMATION SYSTEM (HRIS) TIMEKEEPING SOLUTION SAVINGS: The request includes a decrease of \$1.6 million reappropriated funds transferred from state agencies to the Office for the operating expenses associated with timekeeping component of the HRIS capital construction information technology project. This savings is a due to a technology change for this component from Kronos, as was originally proposed, to a CGI-based solution.

On September 20, 2018, the Joint Budget Committee met and considered an emergency supplemental request submitted by the Governor's Office of Information Technology for an increase in capital construction funding for the HRIS project resulting from a change in the technology used for timekeeping. The JBC voted at this meeting to request that the Joint Technology Committee (JTC) review this funding request a second time to study concerns brought forth by members of the JBC. On October 3, 2017, the JTC reviewed the request a second time and subsequently voted 2 to 4 against approval of the emergency supplemental request for HRIS. Following the JTC's vote, the JBC opted to table a decision on funding this request. OIT and the Department of Personnel (DPA) indicate that the project will run out of funds to complete the project by March 2018.

On November 6, 2017, OIT and DPA submitted the following request to the Joint Technology Committee:

"OIT and DPA respectfully request a meeting with the Joint Technology Committee to continue discussions on the HRWorks emergency supplemental request and the ability to save the state money, reduce risk and increase functionality. Changing the time and leave solution was a difficult decision, but it is our fiscal responsibility to look for cost savings and bring the request to the Joint Budget Committee and Joint Technology Committee. The consequences of stopping the HRWorks project are too great for the state, taxpayers, and employees."

OTHER CHANGES

INDIRECT COST ASSESSMENT: The request includes an increase of \$822,648 total funds for both departmental and statewide indirect cost assessments. The table below itemizes each requested indirect costs assessment by line item for FY 2018-19.

INDIRECT COST ASSESSMENT						
DIVISION	SUB DIVISION	LINE ITEM	TOTAL FUNDS	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
Office of the Governor	Governor's Office	Administration of Governor's Office and Residence	\$430,447	\$0	\$430,447	\$0
Office of the Governor	Special Purpose	Indirect Cost Assessment	7,978	7,978	0	0
Office of the Governor	Colorado Energy Office	Indirect Cost Assessment	123,930	0	0	123,930
Economic Development Programs		Indirect Cost Assessment	277,815	277,815	0	0
Office of Information Technology	OIT Central Administration	Indirect Cost Assessment	(17,522)	0	(17,522)	0
TOTAL			\$822,648	\$285,793	\$412,925	\$123,930

NON-PRIORITIZED REQUEST ITEMS: The request seeks \$287,533 total funds, including \$69,688 General Fund, for items requested by other agencies that impact this department. The table below itemizes each requested non-prioritized item for FY 2018-19.

NON-PRIORITIZED REQUEST ITEMS				
	TOTAL FUNDS	GENERAL FUND	REAPPROPRIATED FUNDS	FTE
IT Application Development and Support (DNR)	\$115,445	\$0	\$115,445	1.0
DeCORum Operating (DOC)	90,723	0	90,723	0.0
Operating System Suite (OIT)	62,586	62,586	0	0.0
Cybersecurity Liability Insurance Policy (DPA)	9,561	2,610	6,951	0.0
Annual Fleet Vehicle Request (DPA)	9,218	4,492	4,726	0.0
TOTAL	\$287,533	\$69,688	\$217,845	1.0

CENTRALLY APPROPRIATED LINE ITEMS: The request includes a decrease of \$5.1 million total funds, including an increase of \$416,716 General Fund, for adjustments to centrally appropriated line items for the following: state contributions for health, life, and dental benefits; merit pay; salary survey; short-term disability; supplemental state contributions to the Public Employees' Retirement Association (PERA) pension fund; shift differential; vehicle lease payments; workers' compensation; legal services; payment to risk management and property funds; Capitol complex leased space; and Payments to OIT. The table below itemizes each requested centrally appropriated line item change for FY 2018-19.

CENTRALLY APPROPRIATED LINE ITEMS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Salary survey adjustment	\$2,904,533	\$270,016	\$110,736	\$2,468,443	\$55,338	0.0
Health, life, and dental adjustment	732,439	415,970	(42,525)	299,372	59,622	0.0
AED adjustment	235,866	97,243	(18,212)	116,034	40,801	0.0
SAED adjustment	235,866	97,243	(18,212)	116,034	40,801	0.0
Leased space adjustment	10,749	0	0	10,749	0	0.0
Shift differential adjustment	6,797	0	0	6,797	0	0.0
Payments to OIT adjustment	(8,729,932)	(270,969)	0	(8,458,963)	0	0.0
Legal services adjustment	(142,233)	(113,712)	0	(28,521)	0	0.0
Workers' compensation adjustment	(130,675)	(13,310)	0	(117,365)	0	0.0
Payment to risk management / property funds adjustment	(83,329)	(26,180)	0	(57,149)	0	0.0
Capitol Complex leased space adjustment	(54,893)	(26,282)	0	(28,611)	0	0.0
CORE adjustment	(33,363)	(15,321)	(10,023)	2,057	(10,076)	0.0
Short-term disability adjustment	(9,502)	2,018	(1,426)	(11,233)	1,139	0.0
TOTAL	(\$5,057,677)	\$416,716	\$20,338	(\$5,682,356)	\$187,625	0.0

ANNUALIZE PRIOR YEAR BUDGET ACTIONS: The request includes a decrease of \$2.5 million total funds, including a decrease of \$26 General Fund, for adjustments related to prior year budget actions, primarily decision items. The table below itemizes each requested annualization for FY 2018-19.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FTE
FY 2017-18 Deskside Staffing	\$43,583	\$0	\$0	\$43,583	0.0
FY 2017-18 Tax system maintenance, support, and hosting	(1,418,292)	0	0	(1,418,292)	0.0
FY 2017-18 Marijuana data coordination	(470,875)	0	(470,875)	0	0.0
FY 2017-18 HCPF Benefits Utilization System (BUS)	(325,000)	0	0	(325,000)	0.0
FY 2016-17 End user configuration management tool	(174,404)	0	0	(174,404)	0.0
FY 2017-18 DOR telephone replacement	(67,500)	0	0	(67,500)	0.0
FY 2017-18 DPA OAC electronic case management system	(38,000)	0	0	(38,000)	0.0
FY 2017-18 Merit base pay	(1,964)	(18)	0	(1,946)	0.0
FY 2017-18 Salary survey	(1,013)	(8)	0	(1,005)	0.0
TOTAL	(\$2,453,465)	(\$26)	(\$470,875)	(\$1,982,564)	0.0

ANNUALIZE PRIOR YEAR LEGISLATION: The request includes a decrease of \$340,555 reappropriated funds for adjustments related to prior year legislation. The following table itemizes each requested annualization for FY 2018-19.

ANNUALIZE PRIOR YEAR LEGISLATION

	TOTAL FUNDS	GENERAL FUND	REAPPROPRIATED FUNDS	FTE
HB 17-1057 (Interstate Physical Therapy Licensure Compact)	\$80,000	\$0	\$80,000	0.0
HB 17-1326 (Justice Reinvestment Crime Prevention Initiative)	(145,520)	0	(145,520)	0.0
HB 17-1204 (Juvenile Delinquency Record Expungement)	(108,710)	0	(108,710)	0.0
HB 16-1047 (Interstate Medical Licensure Compact)	(41,200)	0	(41,200)	0.0
HB 17-1313 (Civil Forfeiture Reform)	(38,662)	0	(38,662)	0.0
SB 16-069 (Community Paramedicine Regulation)	(38,080)	0	(38,080)	0.0
HB 17-1165 (Department Of Regulatory Agencies Boards Disciplinary Action Resolution Process)	(20,000)	0	(20,000)	0.0
Annualize HB17-1221 (Grey And Black Market Marijuana Enforcement Efforts)	(15,423)	0	(15,423)	0.0
Annualize SB17-028 (Healthy Families And Military Preparedness Act)	(12,960)	0	(12,960)	0.0
TOTAL	(\$340,555)	\$0	(\$340,555)	0.0

SUMMARY OF ISSUES PRESENTED TO THE JOINT BUDGET COMMITTEE

THE FIRSTNET DECISION: In response to the 9/11 Commission Report, Congress passed legislation establishing a dedicated network for data communications nationwide for public safety purposes. After a competitive bidding process, the federal government selected AT&T in March 2017 to implement this network, known as FirstNet, for the next 25 years. Governor Hickenlooper has until December 28, 2017 to decide whether Colorado will join this network or build its own public safety broadband network that interoperates with FirstNet.

PUBLIC SAFETY RADIO COVERAGE GAPS: The Digital Trunked Radio System (DTRS) is a statewide, mission-critical level, voice radio network used by public safety officials from all levels of government throughout the state to communicate on a daily basis and during emergency events. The network currently has coverage gaps on the western slope and in other areas of the state that require new tower sites and additional system infrastructure.

FUNDING THE COLORADO ENERGY OFFICE: The Colorado Energy Office (CEO) has a variety of statutory duties related to the promotion of renewable and non-renewable energy sources. For FY 2017-18, the Office did not receive state funding to meet these obligations. In absence of state funding, CEO received permission to repurpose federal grant funds to backfill its operations for FY 2017-18, but these funds may only be used in support of a narrow range of the Office's statutory purposes. For FY 2018-19, CEO requests General Fund for its operations so that it is able to meet its full array of statutory mandates.

CAPITAL CONSTRUCTION INFORMATION TECHNOLOGY PROJECTS FUNDING REQUESTS: Executive branch agencies request \$26.9 million total funds, including \$17.5 million General Fund, for FY 2018-19 for seven new and continuing capital construction information technology projects. Additionally, the Colorado Commission on Higher Education requests \$4.4 million total funds, including \$4.3 million General Fund, for FY 2017-18 for six new capital construction information technology projects.

FOR MORE INFORMATION

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TO READ THE ENTIRE BRIEFING: http://leg.colorado.gov/sites/default/files/fy2018-19_govbrf.pdf